NEW WATERFORD AND DISTRICT WATER COMMISSION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

NEW WATERFORD AND DISTRICT WATER COMMISSION

FINANCIAL STATEMENTS

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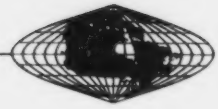
THORNE
RIDDELL
Chartered Accountants



AUDITORS' REPORT

To the Chairman and Members
New Waterford and District Water Commission

We have examined the balance sheets of the New Waterford and District Water Commission as at December 31, 1985 and the statements of operations, surplus, reserve and investment in capital assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at December 31, 1985 and the results of its operations for the year then ended in accordance with accounting principles generally accepted for water utilities in Nova Scotia applied on a basis consistent with that of the preceding year.

Thorne Riddell

Sydney, Nova Scotia
March 24, 1986

Chartered Accountants

NEW WATERFORD AND DISTRICT WATER COMMISSION

OPERATING FUND

BALANCE SHEET AS AT DECEMBER 31, 1985

ASSETS	1985	1984
Cash	$ 50,967	$438,789
Receivables		
Water rates (less allowance for doubtful accounts (1985, $2,800; 1984, $2,800)	106,466	101,227
County of Cape Breton	102,477	
Other	19,600	
Inventories	49,132	35,446
Prepaid expenses		2,234
	$328,642	$577,696
LIABILITIES		
Payables and accruals	$ 17,504	$ 22,380
Due to the Town of New Waterford, operating fund	182,310	505,212
Deferred revenue	9,444	
	209,258	527,592
SURPLUS		
Surplus	119,384	50,104
	$328,642	$577,696

On behalf of the Board

Chairman

Commissioner

NEW WATERFORD AND DISTRICT WATER COMMISSION

OPERATING FUND

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Operating revenue		
Flat rate sales	$326,366	$311,399
Metered sales	169,531	125,633
Public fire protection	170,000	161,898
Consumers' forfeited discounts	6,725	6,261
Miscellaneous	529	424
	673,151	605,615
Operating expenditure		
Source of supply	3,245	2,519
Power and pumping	105,792	103,848
Purification	16,367	12,997
Transmission and distribution	204,205	193,476
Administration and general	140,714	130,582
Depreciation	72,940	70,390
Taxes	29,647	28,170
	572,910	541,982
Operating profit	100,241	63,633
Non-operating revenue		
Grant from Province of Nova Scotia	282,986	295,561
Appropriation from special reserve fund re non-shareable debt expenditure	24,090	23,364
Amortization of deferred assistance	1,354	
Interest earned on depreciation funds	1,623	
	310,053	318,925
Non-operating expenditure		
Debt charges		
Principal	137,175	137,175
Interest	168,179	181,750
Other interest	9,000	9,000
Interest capitalized	(2,209)	(3,463)
Capital expenditure out of revenue	3,869	3,713
Appropriation to special reserve fund re watershed land acquisition	25,000	25,000
	341,014	353,175
Non-operating loss	30,961	34,250
EXCESS OF REVENUE OVER EXPENDITURE	$ 69,280	$ 29,383

NEW WATERFORD AND DISTRICT WATER COMMISSION

STATEMENT OF OPERATING FUND SURPLUS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Surplus at beginning of year	$ 50,104	$20,721
Excess of revenue over expenditure	69,280	29,383
SURPLUS AT END OF YEAR	$119,384	$50,104

NEW WATERFORD AND DISTRICT WATER COMMISSION

CAPITAL FUND

BALANCE SHEET AS AT DECEMBER 31, 1985

ASSETS	1985	1984
Cash		
Depreciation (note 2)	$ 17,980	$ 39,647
Other	10,003	10,003
	27,983	49,650
Property and equipment		
Utility plant	5,059,809	4,762,825
Work in progress	102,123	101,008
	5,161,932	4,863,833
	$5,189,915	$4,913,483
LIABILITIES		
Term debt (note 3)	$1,620,900	$1,758,075
Deferred assistance (note 4)	101,123	
Accumulated reserve for depreciation	19,334	39,647
	1,741,357	1,797,722
EQUITY		
Investment in capital assets	3,448,558	3,115,761
	$5,189,915	$4,913,483

On behalf of the Board

Chairman

Commissioner

NEW WATERFORD AND DISTRICT WATER COMMISSION

CAPITAL FUND

STATEMENT OF INVESTMENT IN CAPITAL ASSETS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Balance at beginning of year	$3,115,761	$2,594,815
Contributions by operating fund		
For debt retirement	137,175	137,175
For capital expenditure	3,869	3,713
Capital assets purchased with depreciation funds	95,483	77,618
Appropriation from special reserve fund	100,000	304,729
Assets retired	(3,730)	(8,850)
Adjustment of accounts payable		6,561
BALANCE AT END OF YEAR	$3,448,558	$3,115,761

NEW WATERFORD AND DISTRICT WATER COMMISSION

SPECIAL RESERVE FUND

BALANCE SHEET AS AT DECEMBER 31, 1985

ASSETS	1985	1984
Cash and investments	$279,283	$334,533
Accrued interest receivable	4,549	20,096
	$283,832	$354,629
RESERVE		
Special reserve	$283,832	$354,629

On behalf of the Board

Chairman

Commissioner

NEW WATERFORD AND DISTRICT WATER COMMISSION

SPECIAL RESERVE FUND

STATEMENT OF SPECIAL RESERVE

YEAR ENDED DECEMBER 31, 1985

	Non-Shareable Debt Expenditure	Future Capital Expenditure	Watershed Land Acquisition	Total 1985	Total 1984
Balance at beginning of year	$303,713	$25,916	$ 25,000	$ 354,629	$ 606,497
Interest on investments	22,430	5,606	257	28,293	51,225
Appropriation from operating fund			25,000	25,000	25,000
Appropriation to capital fund	(50,000)		(50,000)	(100,000)	(304,729)
Appropriation to operating fund	(24,090)			(24,090)	(23,364)
BALANCE AT END OF YEAR	$252,053	$31,522	$ 257	$ 283,832	$ 354,629

NEW WATERFORD AND DISTRICT WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

1. ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed for water utilities by the Board of Commissioners of Public Utilities for Nova Scotia.

The utility has adopted certain policies with respect to donated assets and fixed asset assistance received prior to January 1, 1985. Adoption of these policies requires approval from the Board. As at December 31, 1985 the utility had not received such approval but will seek approval in 1986.

(b) Revenue and expenditure

Major revenue and expenditure items are recorded on an accrual basis.

Certain sources of revenue, including forfeited discounts and interest on past due rates, are recorded on a cash basis.

Principal and interest payments relating to long term debt are recorded as an expenditure when paid.

Interest earned on depreciation funds is recorded as non-operating revenue in the operating fund.

(c) Allowance for doubtful accounts

A valuation allowance is provided for estimated losses that will be incurred in collecting rates receivable outstanding.

(d) Inventories

Inventories are stated at cost.

(e) Work in progress

Work in progress is recorded at cost.

(f) Fixed asset assistance and related amortization

Funds received after January 1, 1985, through capital assistance programs, cost-sharing arrangements or loan forgiveness are treated as additions to the deferred assistance. Deferred assistance is amortized to income on the same basis that depreciation is charged on the related asset.

Funds received, prior to January 1, 1985, from similar fixed asset assistance programs are treated as additions to the investment in capital assets. No amortization is recorded on this assistance.

NEW WATERFORD AND DISTRICT WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

1. ACCOUNTING POLICIES (cont'd)

(g) Fixed assets and related depreciation

(i) Donated fixed assets

Donated fixed assets are recorded at cost.

No depreciation is recorded on fixed assets donated after January 1, 1985. The utility has continued to record depreciation on assets donated prior to January 1, 1985.

(ii) Other fixed assets

Utility plant is valued at appraised value as established in 1937 with subsequent additions, disposals and retirements recorded at cost.

Depreciation of fixed assets is charged to income based on formula rates prescribed by the Public Utilities Board.

(h) Depreciation cash

The depreciation charge less amortization of deferred assistance is transferred to a designated bank account which is used to help fund replacement of existing plant and equipment.

2. DEPRECIATION FUND

	1985	1984
Cash at beginning of year	$ 39,647	$ 45,775
Add: Depreciation less amortization	71,586	70,390
Transfer from operating fund re services retired	2,230	1,100
	113,463	117,265
Less: Capital assets purchased	95,483	77,618
Cash at end of year	$ 17,980	$ 39,647

3. TERM DEBT

Principal repayments required during each of the next five years on bonded indebtedness amount to $137,175.

4. DEFERRED ASSISTANCE

Assistance toward acquisition of fixed assets	$102,477
Accumulated amortization	1,354
	$101,123

NEW WATERFORD AND DISTRICT WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1985

5. TRANSACTIONS WITH THE TOWN OF NEW WATERFORD

(a) In general, and where identifiable, costs incurred by the Town of New Waterford on behalf of the water commission are charged to the commission.

(b) Salary and wage related costs are allocated in proportion to time spent performing functions on behalf of the water commission.

(c) The water commission rents premises and equipment on behalf of its general operations. The charge for such rentals (included in operating expenses) amounted to $69,500 ($69,500 in 1984) for the year.

(d) The water commission rents equipment on behalf of its capital programs. The charge for such rentals (included as additions to property and equipment) amounted to $52,200 ($134,000 in 1984) for the year.

(e) At December 31, 1985 the commission owed $182,310 to the Town which includes an amount of $50,000 on which the commission paid interest of $9,000 ($9,000 in 1984). With respect to the remaining inter-fund balance, no interest has been paid to the Town.

(f) The water commission provides public fire protection to the Town. The charge for this service (included in operating revenues) amounted to $113,333 ($107,964 in 1984) and the charge is governed by the Public Utilities Board.

(g) The water commission is not exempt from municipal taxation.

NEW WATERFORD AND DISTRICT WATER COMMISSION

OPERATING EXPENDITURES — SCHEDULE A

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Source of supply		
Maintenance of plant	$ 3,245	$ 2,519
Power and pumping		
Supervision	$ 8,613	$ 7,576
Labour	29,724	32,162
Power	62,970	56,680
Supplies and expenses	3,013	2,875
Maintenance of structure and improvements	1,472	4,555
	$105,792	$103,848
Purification		
Supplies and expenses	$ 16,367	$ 12,997
Transmission and distribution		
Supervision and engineering	$ 17,346	$ 15,428
Maps, records and department expense	132	499
Shop rental	4,800	4,800
Maintenance of mains	31,961	36,670
Maintenance of other distribution plant	133,128	122,831
Maintenance of distribution hand tools	7,239	3,521
Services on customers' property	9,599	9,727
	$204,205	$193,476
Administration and general		
Consumer billing and accounting	$ 46,123	$ 52,433
Uncollectible accounts	2,415	737
Other general office salaries	46,487	37,370
General office supplies and expenses	5,799	8,548
Regulatory expenses	1,120	965
Insurance	2,874	
Employee benefits	35,384	39,445
Professional fees	9,834	8,389
General overhead recoveries	(11,044)	(17,305)
Bank charges	1,722	
	$140,714	$130,582

NEW WATERFORD AND DISTRICT WATER COMMISSION

UTILITY PLANT — SCHEDULE B

YEAR ENDED DECEMBER 31, 1985

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year
Land and land rights				
Land	$ 1,678	$ 50,000	$	$ 51,678
Land and water easements	1,673			1,673
Structures and improvements				
Reservoirs and standpipes	488,148			488,148
Pumping	199,865			199,865
Equipment				
Signalling	2,925			2,925
Shop	10,115			10,115
Transportation	32,609			32,609
Communication	514			514
Electric pumping	18,400			18,400
Purification	6,691			6,691
Mains	2,947,364	150,210	500	3,097,074
Services	581,505	51,831	2,230	631,106
Consumers' meters	36,666	11,262		47,928
Hydrants	204,035	17,532	1,000	220,567
General overheads	218,655	19,879		238,534
Other	11,982			11,982
	$4,762,825	$300,714	$3,730	$5,059,809

NEW WATERFORD AND DISTRICT WATER COMMISSION

CAPITAL DEBT CHARGES AND TERM DEBT

SCHEDULE C

YEAR ENDED DECEMBER 31, 1985

Date of Issue	Interest Rate	Outstanding Beginning of Year	Redeemed 1985	Outstanding End of Year	Interest 1985
DEBENTURES					
May 15, 1975	10.0%	$ 181,000	$ 16,000	$ 165,000	$ 17,300
July 1, 1976	10.0%	81,000	6,750	74,250	8,100
May 1, 1977	9.75%	529,750	40,750	489,000	49,664
May 1, 1978	10.0%	560,000	40,000	520,000	54,000
May 15, 1978	9.5 - 10.0%	162,000	18,000	144,000	15,142
September 1, 1979	10.0%	97,125	6,475	90,650	9,713
March 1, 1980	10.0%	147,200	9,200	138,000	14,260
		$1,758,075	$137,175	$1,620,900	$168,179

NEW WATERFORD AND DISTRICT WATER COMMISSION

CAPITAL PROJECT FUNDING — SCHEDULE D

YEAR ENDED DECEMBER 31, 1985

	1985	1984
CAPITAL COSTS		
Utility plant, at end of year	$5,059,809	$4,762,825
Work in progress, at end of year	102,123	101,008
Assets retired during the year	3,730	8,850
	5,165,662	4,872,683
Utility plant, at beginning of year	4,762,825	4,339,842
Work in progress, at beginning of year	101,008	146,781
	4,863,833	4,486,623
1985 CAPITAL ADDITIONS	$ 301,829	$ 386,060
FUNDING FOR CAPITAL COSTS		
Capital expenditure from revenue	$ 3,869	$ 3,713
Utilization of depreciation funds	95,483	77,618
Appropriation from special reserve fund	100,000	304,729
Capital grant, Province of Nova Scotia	86,118	
Capital grant, County of Cape Breton	16,359	
1985 CAPITAL FUNDING	$ 301,829	$ 386,060